

Value-based purchasing: Pay for performance in home health

ISSUE: One strategy that Medicare should use to increase the value of the healthcare services it purchases is linking a portion of payments to improving the quality of care. We have been asked by Congress to consider several issues in designing such a pay-for-performance (P4P) program.

KEY POINTS: The Commission has recommended that five Medicare settings are ready for P4P: Medicare Advantage plans, facilities and physicians who treat beneficiaries with end stage renal disease, acute inpatient hospitals, physicians, and home health agencies. The four questions that Congress asked us to address specifically in the design of a home health P4P system cut across all of these settings:

- How should Medicare fund a P4P system?
- How should the program set the thresholds for rewards and penalties?
- What is an appropriate size for a reward or penalty?
- What is a good balance between rewarding improvement and attainment?

This paper will discuss the development of measures that could be used in a home health P4P system and set forth two alternatives to start our discussion of system design. We will be working over the next several months to build on this foundation and respond to the questions posed by Congress, specifically in terms of a home health P4P system as well as broadly about P4P design in general.

ACTION: This work is preparatory to our report to Congress on the design of a home health P4P system, due in June 2007.

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